

ZEGONA COMMUNICATIONS PLC

**ZEGONA ANNOUNCES £140 MILLION TENDER OFFER FOR AT LEAST £2.00<sup>1</sup> PER SHARE**

*London, England, 30 August 2017 - Zegona Communications PLC ("Zegona" or the "Company") announces the publication of a circular (the "Circular") for a return of up to £140 million to shareholders by way of a tender offer (the "Tender Offer") at a price of at least £2.00 per share*

**Tender Offer delivers on Zegona's commitment to return capital to shareholders after selling Telecable<sup>2</sup>**

- On the completion of the Telecable sale, we announced our intention to return up to £140 million of capital to shareholders through a tender offer.
- The Tender Offer is a straightforward mechanism to return this capital quickly and tax efficiently.
- Today we are publishing the Circular detailing the Tender Offer and the required General Meeting.<sup>3</sup>

**Tender Offer at a premium to Zegona's current share price**

- Under the Tender Offer, each qualifying holder of Zegona's ordinary shares (the "**Shares**") will have the option to sell approximately 36%<sup>4</sup> of their Shares (their "**Tender Offer Entitlement**") at a price of at least £2.00 per Share. This Share price represents a premium of at least 19% to the current market price<sup>5</sup> of the Shares.
- The Tender Offer will close on 5 October 2017 with cash payments expected shortly thereafter.<sup>6</sup>
- Zegona's largest shareholder, Marwyn Asset Management Limited, has signed an irrevocable undertaking to tender its Tender Offer Entitlement and vote in favour of the required resolutions, and all members of Zegona's Board of Directors who hold Shares have indicated that they will also do the same.

**Attractive capital returns to Zegona shareholders**

- The Tender Offer will return up to 42% of Zegona's market capitalisation, equivalent to £0.71 per Share.<sup>4</sup>
- Targeted 2017 dividend reconfirmed, £9.8 million total pay-out (equivalent to 5 pence per existing Share).<sup>7</sup>
- Total cash returned to Zegona shareholders to end 2017 equals 55% of initial equity invested<sup>8</sup> whilst still retaining exposure to underlying Euskaltel cash flows of similar magnitude to those of Telecable standalone<sup>9</sup>

Eamonn O'Hare, Zegona's Chairman and CEO commented: "Today, Zegona is delivering on its commitment to return £140 million to shareholders quickly and tax efficiently. We believe the tender at a price of at least £2.00 per Share represents an attractive return of capital to our shareholders. We are also reconfirming our intention to pay £9.8 million in dividends for 2017. As a result, Zegona will have returned 55% of shareholders' initial investment, while retaining a 15% shareholding in the enlarged Euskaltel business.

We continue to see good potential to drive further value growth both through our investment in Euskaltel and other investment opportunities. Euskaltel has a very strong market position, is highly cash generative and will benefit from the input and experience of Zegona management. In parallel, we are actively developing a number of new investment opportunities in the European TMT industry where we believe we can again successfully apply our innovative 'Buy-Fix-Sell' strategy."

**Enquiries**

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This announcement contains inside information. Capitalised terms used and not defined in this announcement have the meaning given to them in the Circular.

The Tender Offer will be made to Non-US Shareholders and certain US Shareholders<sup>10</sup> on identical terms save that the Non-US Tender Offer is being conducted by Liberum Capital Limited.

Liberum Capital Limited, which is authorised and regulated by the Financial Conduct Authority, is acting exclusively for Zegona and for no one else in connection with the Non-US Tender Offer and Liberum, its affiliates and its and their respective directors, officers, employees and agents are not, and will not, be responsible to anyone other than the Company for providing the protections afforded to customers of Liberum nor for providing advice in relation to the Non-US Tender Offer. For the avoidance of doubt, none of Liberum, its affiliates and it and their respective directors, officers, employees and agents will be responsible for, or liable in relation to the US Tender Offer, any other transaction, arrangement or other matter referred to in this announcement, or the Circular, other than the Non-US Tender Offer.

Apart from the responsibility and liabilities, if any, which may be imposed on Liberum by the Financial Services and Markets Act (as amended), the Financial Services Act 2012, or the regulatory regimes established thereunder, Liberum does not accept any responsibility or liability whatsoever nor make any representation or warranty, express or implied, concerning the contents of this announcement or the Circular, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Non-US Tender Offer, the Circular or this announcement. Each of Liberum, its affiliates and their respective directors, officers, employees and agents accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement, the Circular or any such statement.

#### **About Zegona**

Zegona was established with the objective of acquiring businesses in the European Telecommunications, Media and Technology ("TMT") sector with a 'Buy-Fix-Sell' strategy to deliver attractive shareholder returns. Zegona is listed on the London Stock Exchange's Main Market and is led by former Virgin Media executives, Eamonn O'Hare and Robert Samuelson.

Zegona acquired Telecable, the leading quad play cable telecommunications operator in the Asturias region of Spain in August 2015. The sale of Telecable to Euskaltel was completed on 26 July 2017.

#### **Notes:**

- 1 The tender price of £2.00 will be subject to an upwards adjustment should the Pound Sterling denominated price of one Euskaltel share be higher than £7.99 at the close of business on the closing date of the Tender Offer. For every £1.00 the price exceeds £7.99, the tender price will be increased by 14p. See paragraph 3.1 of Part I of the Tender Offer Circular for details of the formula used to adjust the price.
- 2 Zegona completed the sale of the Telecable group to Euskaltel, S.A., on 26 July 2017.
- 3 The Circular setting out full details of the Tender Offer and containing a Notice of General Meeting is being sent to shareholders today and will shortly be available on Zegona's website at <http://www.zegona.com/investor-relations/regulatory-news.aspx>. The Tender Offer will be conditional upon shareholders passing a special resolution to approve the requisite repurchase of shares. At the General Meeting convened for 11.00 a.m. on 22 September, 2017 to approve the repurchase, a special resolution will also be proposed to amend Zegona's articles of association to give the Board of Directors the power to make distributions in specie of Euskaltel shares.
- 4 If all shareholders tender their Tender Offer Entitlement at the minimum price of £2.00 per Share, 70m shares will be repurchased, equal to approximately 35.7% of Zegona's total issued share capital of approximately 196m shares. Shareholders are not under any obligation to tender their Shares but to the extent that they wish to participate in the Tender Offer, they may only tender their whole Tender Offer Entitlement of Shares. If the tender price is adjusted upwards as described in footnote 1, each shareholder's entitlement will be scaled back proportionately as described in paragraph 4.1.2 of Part IV of the Circular.
- 5 Based on a Zegona share price of £1.685 on 29 August, 2017 and assuming the minimum tender price of at least £2.00.
- 6 Payments expected by 16 October 2017.
- 7 Zegona intends to adjust the dividend per share following the Tender Offer such that a total dividend of £9.8m is paid in 2017. Anticipated dividends from Euskaltel will help fund future Zegona dividends. Euskaltel's current dividend is €36c per share - Euskaltel has stated that it intends to increase its annual dividend pay-out at a double-digit rate.

- 8 Total Zegona equity raised £286.6m. Total cash intended to be returned to shareholders of up to £158.6m comprised of up to £140m from the Tender Offer, dividends paid of £8.8m (4.5p on 196m shares), and 2017 dividends targeted to be paid of £9.8m (equivalent to 5p on 196m shares).
- 9 Zegona exposed to €36m Cash Flow based on 15% of Euskaltel Pro Forma 2016 Cash Flow of €224m plus anticipated run-rate synergies of €17m from Telecable acquisition. At acquisition in 2015, Telecable's Cash Flow was €36.1m and in 2016 it was €39.6m. Telecable's Cash Flow is Adjusted Cash Flow as defined on page 12 of Zegona's 2016 Annual Report.
- 10 The US Tender Offer is being made by Zegona solely to US Shareholders that are both (i) "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the US Securities Act of 1933, as amended; and (ii) "qualified purchasers" ("QPs") as defined in the US Investment Company Act of 1940, as amended. Any US Shareholder that was not both a QIB and a QP at the time it acquired any Shares or any such beneficial interest therein should notify Zegona immediately.

### ***Important Notice***

This announcement has been issued by, and is the sole responsibility of, the Company.

This announcement has been prepared in accordance with English law, the Listing Rules and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

The US Tender Offer is made solely by the Company. While the US Tender Offer is being made available to US Shareholders, the right to tender Shares is not being made available in any jurisdiction in the United States in which the making of the US Tender Offer or the right to tender Shares would not be in compliance with the laws of such jurisdictions.

The US Tender Offer is being made for the securities of a UK company and is subject to UK disclosure requirements, which are different from those of the United States. The settlement procedure with respect to the US Tender Offer will be consistent with UK practice, which differs from US domestic tender offer procedures in certain material respects, particularly with regard to date of payment. US Shareholders should note that the Shares are not listed on a US securities exchange and the Company is not subject to the periodic reporting requirements of the US Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") and is not required to, and does not, file any reports with the US Securities and Exchange Commission thereunder. The US Tender Offer is not subject to the disclosure and other procedural requirements of Regulation 14D under the Exchange Act. The US Tender Offer will be made in accordance with the requirements of Regulation 14E under the US Exchange Act to the extent applicable. Accordingly, the US Tender Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

Certain information in this announcement is based on management estimates. By their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given that such estimates are correct or complete or founded on reasonable grounds. No representation or warranty (express or implied) is given that such estimates are founded on reasonable grounds. Zegona does not undertake any obligation to correct or complete any estimate whether as a result of being aware of information (new or otherwise), future events or otherwise.

### ***CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION***

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: Euskaltel's ability to successfully combine the business of Telecable and Euskaltel and to realise operational efficiencies from that combination; the assessment of Telecable's working capital and net debt at closing of the acquisition could result in an adjustment to the cash consideration payable; the tax credits which are required to be proven to generate the contingent consideration may not arise or be usable; conditions in the markets; the market position of Telecable and Euskaltel; earnings, financial position, cash flows, return on capital and operating margins of Telecable and Euskaltel; anticipated investments and capital expenditures

of Telecable and Euskaltel; changing business or other market conditions; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules or other applicable legislation or regulation, Zegona does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

***Target returns***

The expected returns to Zegona shareholders are a target only and not a profit forecast. There can be no assurance that the target returns will be achieved and investors should place no reliance on such targets when making an investment decision. Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per Zegona share for the current or future financial years will necessarily match or exceed the historical published earnings per Zegona share.

***Company website***

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

The person responsible for arranging for the release of this announcement on behalf of Zegona is Dean Checkley, whose business address is 20 Buckingham Street, London, WC2N 6EF.